

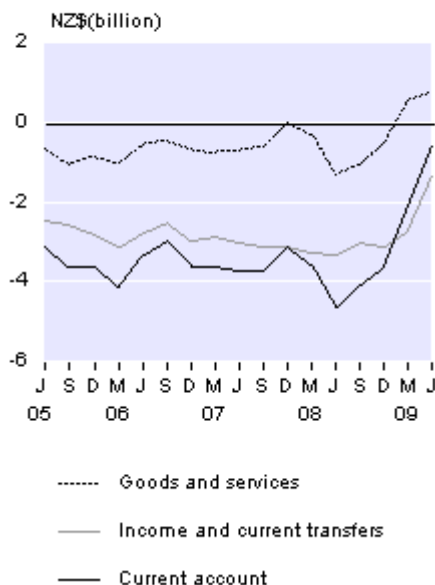
Embargoed until 10:45am – 22 September 2009

## Balance of Payments and International Investment Position: June 2009 quarter

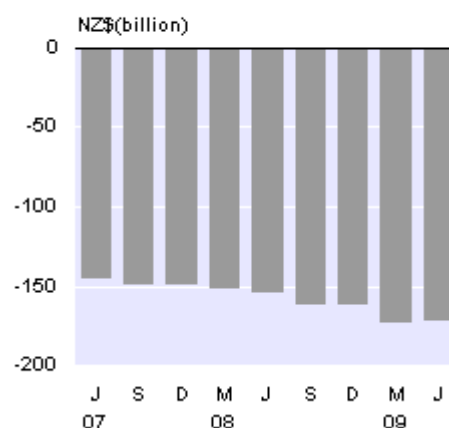
### Highlights

- New Zealand's seasonally adjusted current account deficit was \$612 million in the June 2009 quarter, \$1,508 million smaller than the March 2009 quarter deficit.
- The current account deficit for the year ended June 2009 was 5.9 percent of GDP, compared with a deficit of 8.1 percent of GDP for the year ended March 2009.
- The decrease in the current account deficit for the June 2009 quarter was driven by a fall in income earned from foreign investment in New Zealand.
- Net international liabilities were \$171.6 billion (95.2 percent of GDP) at 30 June 2009, compared with \$173.5 billion (96.4 percent of GDP) at 31 March 2009.

**Seasonally Adjusted Balances**  
Quarterly



**Net International Investment Position**  
Quarterly



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# Commentary

## Overview

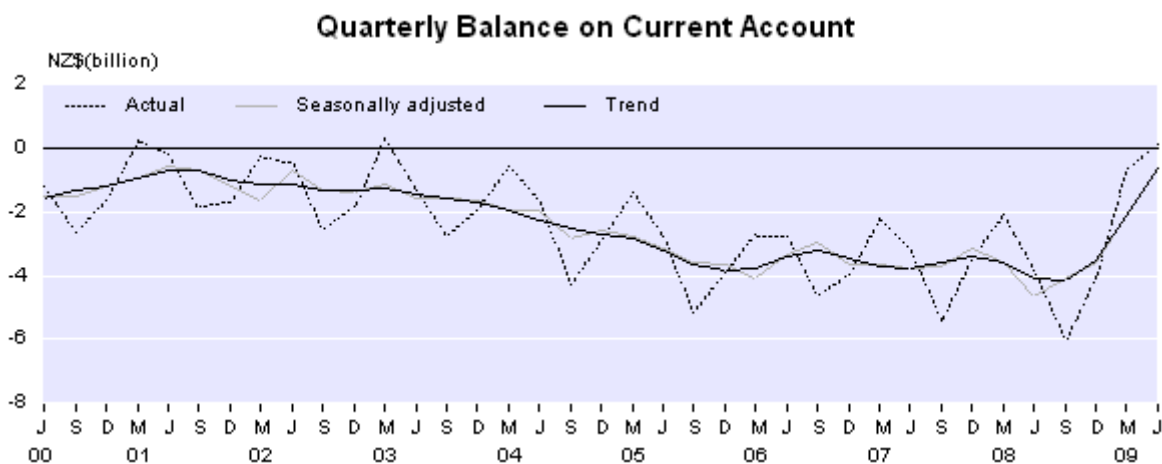
The seasonally adjusted current account deficit was \$612 million in the June 2009 quarter, compared with a March 2009 quarter deficit of \$2,120 million. The \$1,508 million narrowing of the deficit in the June 2009 quarter was mainly due to a decrease in income from foreign investment in New Zealand. A fall in imports of goods was almost exactly offset by a similar fall in exports of goods, while imports of services also decreased.

The investment income deficit, which is not seasonally adjusted, was \$1,600 million in the June 2009 quarter, \$1,181 million smaller than in the March 2009 quarter. The decrease in the income deficit was driven by a fall in profits earned by foreign direct investors from their New Zealand subsidiaries, while interest paid on overseas borrowing also fell. The fall in profits was mostly in the banking sector and influenced by a large company tax transaction brought into account during the quarter.

The seasonally adjusted balance on goods was a surplus of \$822 million in the June 2009 quarter, unchanged from the surplus in the March 2009 quarter. Imports of goods fell \$772 million this quarter – the third consecutive quarterly fall – driven by lower prices as well as a fall in volumes. Exports of goods fell \$771 million as falling prices more than offset an increase in export volumes. The fall in export prices (11.6 percent) was the largest since the March 1957 quarter, and was driven mainly by prices of dairy products.

In actual dollar terms, the current account balance was a surplus of \$124 million in the June 2009 quarter. This is the first actual dollar surplus since the March 2003 quarter, although if the effect of the company tax transaction affecting investment income was removed, there would be a deficit of \$537 million.

The year ended June 2009 current account deficit was \$10,614 million (5.9 percent of GDP). This compares with a current account deficit of \$14,569 million (8.1 percent of GDP) for the year ended March 2009, and \$14,795 million (8.3 percent of GDP) for the year ended June 2008.



The decrease in the current account deficit from the year ended March 2009 was due to a decrease in the investment income deficit, combined with a turnaround in the balance

on goods from a deficit to a surplus over this time. The investment income deficit was \$2,008 million smaller in the year ended June 2009 than in the year ended March 2009. The balance on goods changed from a deficit of \$1,336 million for the year ended March 2009 to a surplus of \$528 million for the year ended June 2009. This was driven by a large fall in volumes of imported goods.

A current account which is near balance requires little financing. This is reflected in the June 2009 quarter net capital and financial account inflow of \$436 million. While a net inflow of capital is inconsistent with a current account surplus (and is therefore reflected in a net errors and omissions (residual) of negative \$560 million), the size of the June 2009 quarter net inflow is significantly less than the inflows measured in previous quarters.

The June 2009 quarter financial account recorded a net \$0.6 billion inflow of financial capital into New Zealand. A \$2.6 billion inflow of foreign investment into New Zealand was dominated by foreign investors purchasing debt securities issued by New Zealand banks and the government. The \$2.0 billion outflow of New Zealand investment abroad featured investment by New Zealand fund managers and official sector investment in overseas reserves.

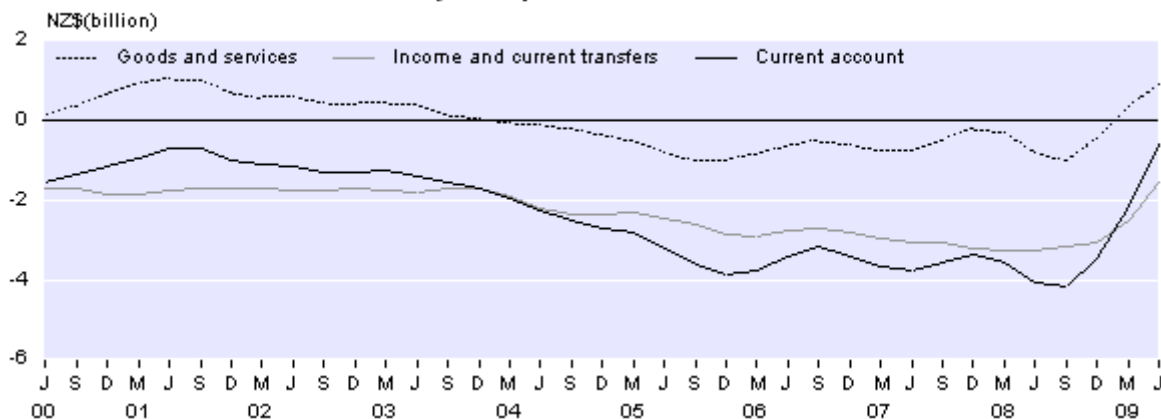
New Zealand's net international investment debtor position decreased by \$1.9 billion (1.1 percent) at 30 June 2009 compared with 31 March 2009. The main factor was \$2.5 billion of valuation changes decreasing net liabilities. The generally appreciating New Zealand dollar (NZD) and rising overseas share markets reduced New Zealand's net liabilities to abroad, but was partly offset by a rise in net financial derivative liabilities. This is in contrast to the increase in the net debtor position from 31 December 2008 to 31 March 2009. Over this period, net valuation changes increased the net debtor position by \$8.5 billion, with falling world share markets and a rise in net financial derivative liabilities the main factors.

## **Trend**

The current account balance trend series deficit has decreased substantially for the third consecutive quarter, having fallen from a peak of over \$4 billion in the September 2008 quarter to well under \$1 billion in the June 2009 quarter. Both the goods and services, and income and transfers trend balances are adjusting sharply.

The goods and services balance is now showing a second consecutive surplus balance, while the income and transfers deficit balance is now less than half the level of a year ago. The main impacts are falls in the trend estimates of goods imports and investment income earned by foreign investors.

## Quarterly Component Trend Balances



### Goods

All references to quarterly figures are seasonally adjusted unless otherwise stated.

The goods balance was a surplus of \$822 million in the June 2009 quarter, unchanged from the March 2009 quarter surplus. This is the second consecutive surplus recorded and compares with a deficit of \$1,118 million in June 2008 quarter. Exports of goods fell \$771 million in the June 2009 quarter and imports of goods fell \$772 million.

The fall in the value of exports in the June 2009 quarter was mainly due to an 11.6 percent fall in export prices, which more than offset an increase in export volumes. This drop in export prices was the largest since the March 1957 quarter. Dairy product prices, which fell 24.1 percent, were the major contributor to the decrease in export prices in the June 2009 quarter. Falls in the prices of non-food manufactured goods and forestry products also contributed to this decline (see [Overseas Trade Indexes \(Prices\): June 2009 quarter \(provisional\)](#)).

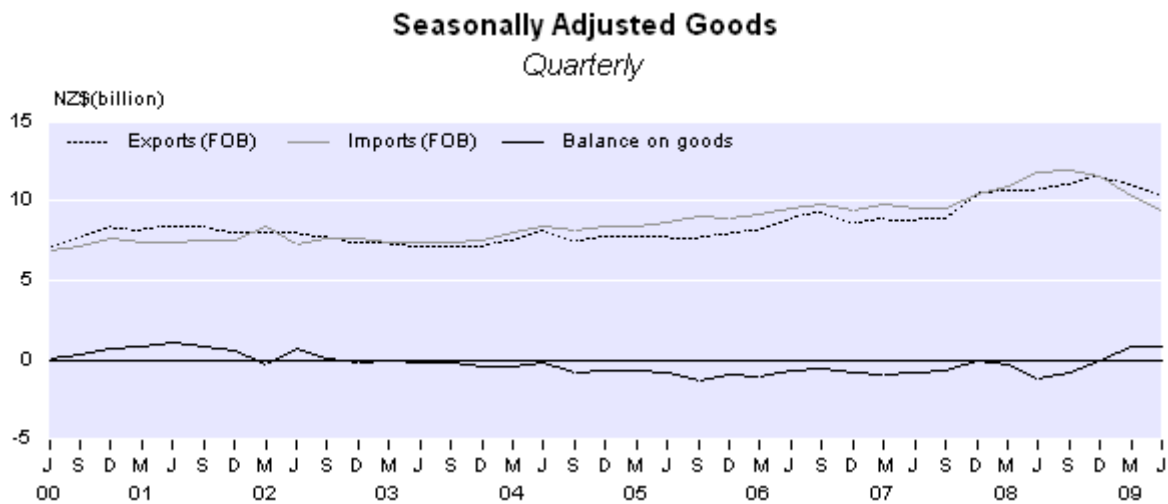
The increase in export volumes during the June 2009 quarter was mainly driven by rises in export volumes of dairy products, petroleum and petroleum products, and forestry products.

The fall in value of imports in the June 2009 quarter was driven by falls both in import prices and import volumes. A 2.9 percent fall in import prices was due to falls in prices of chemical and related products, mechanical machinery products, and electrical machinery and apparatus. However, prices of non-crude materials increased during the June 2009 quarter.

The fall in import volumes was mainly driven by a drop in imported volumes of intermediate goods during the latest quarter. Balance of Payments (BoP) conceptual adjustments removed \$889 million from the value of overseas trade imports in the June 2009 quarter, which included imports of aircraft valued at \$571 million (see [Overseas Merchandise Trade: June 2009 Hot Off the Press](#)). Conceptual adjustments are made to exports and imports, and include goods that cross New Zealand's customs frontier without a change in ownership occurring. Refer to the technical notes of this release for further information.

The surplus recorded for the year ended June 2009 contrasts with a deficit for the year ended March 2009 and was mainly driven by falling imports. A large fall in import volumes was the main driver behind the drop of \$2,260 million in imports between these two periods, with volume indexes for all the broad economic categories declining. This was partly offset by an increase of 4.3 percent in import prices.

The value of exports was \$396 million lower in the year ended June 2009 than in the year ended March 2009. Export prices fell 9.4 percent, more than offsetting an increase in export volumes between these two periods. A drop of 31.1 percent in dairy prices was the major driver behind the fall in export prices, while volume of exports of dairy products increased 46.7 percent between these two periods.



## Services

All references to quarterly figures are seasonally adjusted unless otherwise stated.

The services balance was a deficit of \$78 million in the June 2009 quarter, compared with a deficit of \$240 million in the March 2009 quarter. The smaller deficit this quarter was due to imports of services falling by more than exports of services.

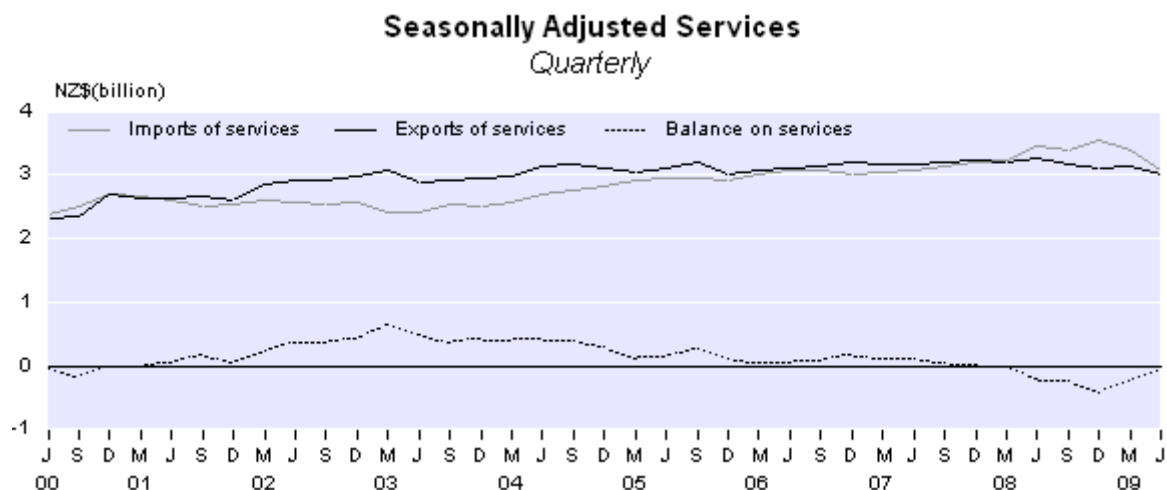
Imports of services fell \$305 million in the June 2009 quarter, mainly due to a fall in transportation services. This was driven by lower expenditure on sea freight, due to a combination of a fall in sea freight prices and lower volumes of goods imported to New Zealand this quarter. Imports of travel services fell \$36 million, as the number of people travelling overseas from New Zealand fell 1.2 percent. The seasonally adjusted number of departing travellers was at the lowest level since the June 2005 quarter.

There were some offsetting movements in the other services categories, which are not separately seasonally adjusted. Expenditure on construction services increased \$71 million, while there was a \$67 million fall in other business services. This fall was mainly due to lower expenditure on services related to oil exploration and production. In the June 2008 quarter, services related to oil exploration and production drove imports of other business services to a peak of \$725 million (\$243 million higher than in the March 2008 quarter) but since then expenditure has been declining.

Exports of services fell \$143 million this quarter, driven by a fall in transportation services. Exports of transportation services includes revenue from international airfares sold abroad by New Zealand-resident airlines, as well as the expenditure of foreign-owned vessels and aircraft while they are in New Zealand ports. Exports of travel services, which measures the spending of overseas visitors in New Zealand, fell \$30 million. A 2.2 percent increase in the number of overseas visitors was offset by lower expenditure per person. This was due, in part, to a greater number of travellers visiting friends and relatives in New Zealand as opposed to travellers on holiday, who traditionally have higher expenditure. There was also a fall in international students' expenditure in New Zealand this quarter.

Of the other services categories, which are not seasonally adjusted, exports of communications services fell \$16 million, while a number of other categories recorded smaller falls. These were partly offset by a \$35 million rise in exports of personal, cultural, and recreational services, which increased due to higher revenues related to sports events and sales of films.

The year ended June 2009 balance on services was a deficit of \$977 million, compared with a deficit of \$118 million for the year ended June 2008. This increase in the deficit was due to falls in exports of travel and transportation services, combined with an increase in imports of other business services over this period. International visitors to New Zealand fell 2.9 percent, while greater expenditure on management fees and legal, accounting, and management consulting services drove the increase in imports of other business services.



## Investment income

The investment income deficit was \$1,600 million in the June 2009 quarter, \$1,181 million smaller than the March 2009 deficit of \$2,781 million. The decrease in the deficit was caused by a \$1,186 million fall in foreign investors' earnings on their investments in New Zealand, while income on New Zealand's investments abroad remained stable. The June 2009 investment income deficit was at its lowest level since the March 2002 quarter.

Income on New Zealand's investment abroad was \$469 million this quarter, little changed from that earned in the March 2009 quarter. The profitability of New Zealand-

owned subsidiaries operating overseas fell by \$64 million this quarter as New Zealand direct investors lost a net \$29 million on their overseas equity investments. This fall in income was nearly offset by an increase in dividends received by New Zealand investors on their overseas portfolios. Typically, there is an increase in dividends received when comparing June and March quarters.

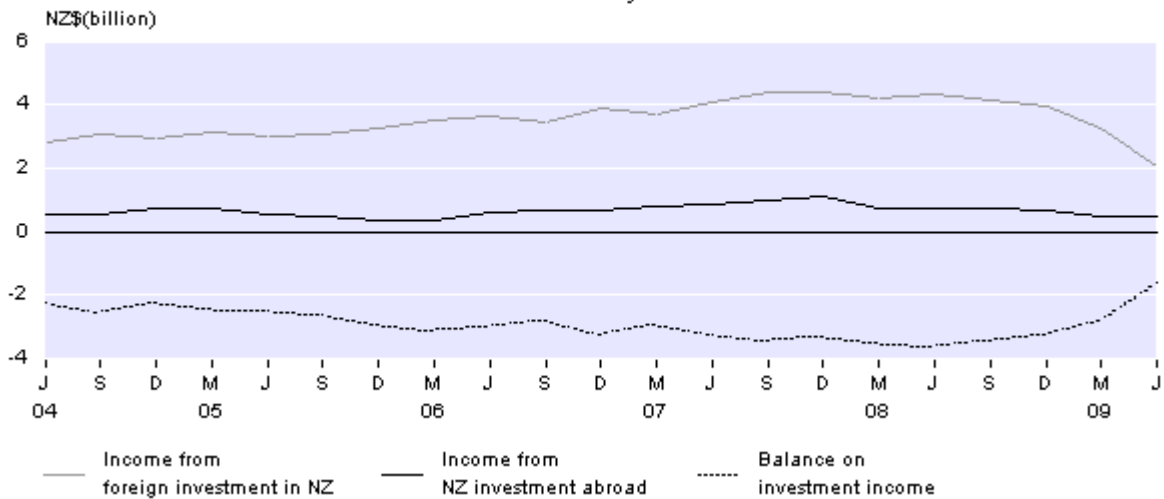
Foreign investors earned \$2,068 million on their New Zealand investments in the June 2009 quarter. This is the lowest level since the March 2001 quarter. The fall in income earned by foreign investors was driven by a \$1,094 million decrease in income earned by non-resident direct investors on their New Zealand subsidiaries. The fall in direct investment income was driven by a decrease in the profitability of the domestic banking sector. Interest paid to foreign investors on debt also fell by a combined \$214 million. The fall in direct investment and interest income was slightly offset by an increase in dividends distributed to non-resident portfolio investors.

Income earned by non-resident direct investors on their New Zealand subsidiaries was \$553 million in the June 2009 quarter, the lowest level since this time series began in the June 2000 quarter. This result has been affected by unusually large company tax charges of \$661 million brought into account by the Bank of New Zealand in the June 2009 quarter. Company tax is a transaction between the resident entity and the resident tax authority. The income attributable to foreign investors measured by the balance of payments is the net profit after tax.

The year ended June 2009 investment income deficit was \$11,027 million, a decrease of \$2,008 million from the year ended March 2009. The year ended income deficit has decreased for the fourth consecutive quarter. Income from New Zealand investment abroad decreased by \$270 million, while income from foreign investment in New Zealand fell by \$2,278 million. The year ended June 2009 income deficit also fell when compared with the year ended June 2008 deficit. The year ended June 2009 deficit was \$2,705 million smaller than the June 2008 deficit of \$13,732 million. This fall was driven by a decrease in income earned by non-resident direct investors on their New Zealand subsidiaries and a decrease in interest paid on foreign borrowing.

Significant revisions were made to the March 2009 quarter investment income balance. The magnitude of these revisions are provided in the revisions table which can be found at the end of this commentary. Income from foreign investment in New Zealand was revised down by \$489 million from that which was previously published. These revisions also decreased the income deficit for the year ended March 2009. The revisions were made in response to more accurate information provided by survey respondents.

## Investment Income Quarterly



### Current transfers

Current transfers are offsetting entries to transactions where goods and services are supplied or received without there being an exchange of equal value in return, such as taxes or donations. The balance on current transfers was a surplus of \$287 million for the June 2009 quarter, an increase of \$233 million from the March 2009 quarter surplus.

Current transfers into New Zealand were \$581 million in the June 2009 quarter, \$126 million higher than in the March 2009 quarter. This increase was mainly due to an increase in non-resident withholding tax (NRWT) received. NRWT is payable by foreign investors on their withholding income, such as interest and dividends received from their investments in New Zealand.

Current transfers out of New Zealand were \$294 million this quarter, \$107 million less than in the March 2009 quarter. This fall was mainly due to decreases in international aid spending by the New Zealand government.

### Capital account

The capital account measures the value of assets transferred by migrants into, and out of, New Zealand, as well as the purchase and sale of intangible assets. In the June 2009 quarter, the capital account balance was a deficit of \$141 million, a similar deficit to the March 2009 quarter.

Inflows of capital transfers fell \$60 million in the June 2009 quarter compared with the March 2009 quarter. This was due to decreases in transfers by migrants from countries other than Australia and by New Zealand families returning from overseas. Partly offsetting these falls was a \$21 million increase in investment transfers in the quarter.

Capital transfers out of New Zealand were down by \$61 million this quarter. This was due to lower transfers by migrants departing for Australia.

## Financial account and International Investment Position (IIP)

### Financial account (flows)

The June 2009 quarter financial account recorded a net capital inflow to New Zealand of \$0.6 billion. The net inflow was the result of a \$2.6 billion inflow of foreign investment into New Zealand partly offset by a \$2.0 billion outflow of New Zealand investment overseas. The June 2009 quarter outflow of New Zealand investment overseas was in contrast to the previous four quarters, in which there was divestment of assets from abroad.

The June 2009 quarter \$2.0 billion outflow of New Zealand investment abroad featured investment in portfolio investments, reserve assets, and direct investment. These flows of investment abroad, totalling \$4.5 billion, were partly offset by a \$2.3 billion withdrawal of loan assets from abroad mainly by the banking sector. Portfolio investment abroad of \$2.3 billion was primarily the result of New Zealand fund managers investing in overseas company shares and debt securities issued abroad. The June 2009 quarter \$1.3 billion investment by the official sector in overseas reserves was significantly higher than in the previous quarter.

The \$2.6 billion June 2009 quarter inflow of foreign investment into New Zealand was a result of a \$3.2 billion inflow of foreign portfolio investment, partly offset by a \$0.6 billion divestment from New Zealand by foreign direct investors. The main feature of the inflow of foreign portfolio investment was foreign investors buying debt securities issued by New Zealand banks and by the New Zealand government. The \$0.6 billion divestment by foreign direct investors from their New Zealand subsidiaries arose primarily from a rundown of retained earnings. A feature of this was an unusually large company tax charge brought into account this quarter (as discussed in the income commentary). Foreign other investment in New Zealand (mainly loans and deposits) in the June 2009 quarter featured nearly offsetting inflows of foreign deposits into New Zealand banks and repayments of loans from abroad, mostly by the banking sector.

### Reconciling the June 2009 quarter financial account and the International Investment Position (IIP)

The reconciliation table below shows both the transaction and non-transaction causes of the shift in the net IIP from the position at 31 March 2009 to the position at 30 June 2009. The term IIP is defined in the technical notes of this publication along with the associated term net debtor position.

Reconciliation statement – June 2009 quarter					
NZ\$(million)					
Net IIP at 31 March 2009	Net financial account flows (transactions)	Net exchange rate changes	Net financial derivative valuation changes	Net market price and other valuation changes	Net IIP at 30 June 2009
-173,522	-577	4,098	-2,940	1,317	-171,624

At 30 June 2009, New Zealand's net international debtor position was \$171,624 million, a decrease of \$1,898 million (1.1 percent) from the 31 March 2009 net debtor position of \$173,522 million.

Net changes in the valuation of New Zealand's assets and liabilities reduced the net debtor position by \$2,475 million, but were partly offset by the \$577 million net inflow of capital measured in the financial account, which increased liabilities.

Changes in the value of assets and liabilities arise from changes in exchange rates, market prices of assets and liabilities (eg shares), market values of financial derivative contracts, and other changes such as write-offs. The largest impact in the June 2009 quarter was from the generally appreciating NZD, with significant contributions from changes in financial derivative contract values and rising sharemarkets overseas.

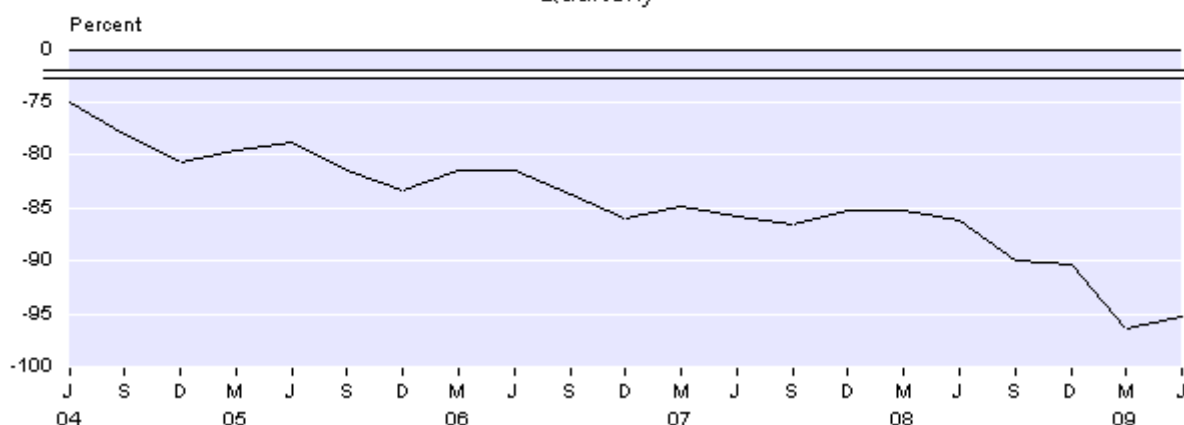
- Exchange rate changes. The overall effect was to reduce New Zealand's net debtor position by \$4,098 million. An appreciation of the NZD decreases the NZD value of foreign currency assets and liabilities. Comparing exchange rates at 31 March 2009 and 30 June 2009, the NZD appreciated against most of the foreign currencies in which New Zealand's foreign assets and liabilities are primarily held. The most significant appreciations were against the United States dollar, Japanese yen, and the euro.
- Market price and other valuation effects. The overall effect was to reduce the net debtor position by \$1,317 million. The key impact was that market values in the overseas share markets in which New Zealand funds are invested were between 10 and 39 percent higher at 30 June 2009 compared with 31 March 2009.
- Changes in the value of financial derivative contracts. The net effect was to increase the net debtor position by \$2,940 million. Financial derivative contracts in asset positions at 30 June 2009 were \$6,810 million lower than at 31 March 2009, while contracts in a liability position were \$3,870 million lower at 30 June 2009 compared with 31 March 2009.

### **International Investment Position**

This commentary discusses the presentation of New Zealand's international assets and liabilities as shown in tables 10–13.

At 30 June 2009, New Zealand's net international debtor position was \$171.6 billion (95.2 percent of GDP). The net debtor position arose from \$134.5 billion in international assets and \$306.2 billion in international liabilities. The 30 June 2009 net debtor position was 1.1 percent smaller than the 31 March 2009 net debtor position of \$173.5 billion (96.4 percent of GDP), and was 11.3 percent larger than the 30 June 2008 net debtor position of \$154.1 billion (86.1 percent of GDP).

### Net International Investment Position Gross Domestic Product Ratio Quarterly

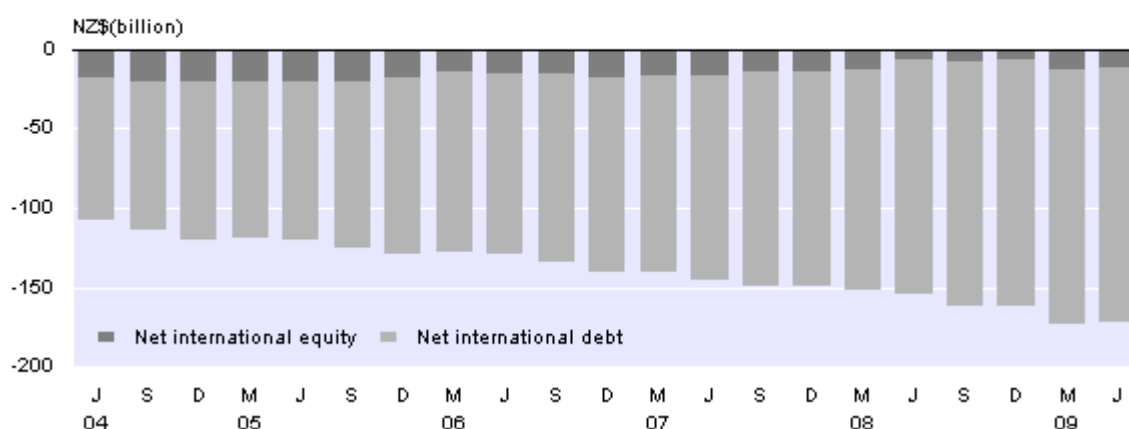


The fall in New Zealand's net debtor position from 31 March 2009 to 30 June 2009 was the first decrease since the \$1.4 billion (1.0 percent) fall from 31 December 2005 (\$129.6 billion) to 31 March 2006 (\$128.2 billion).

The 31 March 2009 to 30 June 2009 fall in the net debtor position was primarily driven by a \$1.4 billion fall in net international debt, complemented by a \$0.5 billion fall in the net international equity debtor position. The main driver of the fall in net debt was a \$2.3 billion fall in the net debt of the 'other' sector (mainly private sector corporations). This fall in net debt was partly offset by a \$0.5 billion rise in the net debt of the banking sector, and a \$0.4 billion fall in the official sector's net lending abroad.

Overseas debt with a time to maturity of one year or less was 44.2 percent at 30 June 2009, compared with 51.4 percent at 30 June 2008. From 31 March 2009 to 30 June 2009, overseas debt with a time to maturity of one year or less was relatively unchanged.

### Net International Debt and Equity Quarterly



At 30 June 2009, the official sector (general government and Reserve Bank of New Zealand) continues to be in a net overseas lending (asset) position, but this asset position continues to fall. At 30 June 2009, official sector net lending abroad was \$5.3 billion compared with \$11.3 billion at 30 June 2008.

The \$17.5 billion rise in the net debtor position at 30 June 2009 compared with 30 June 2008 arose mainly from a \$12.7 billion rise in net international debt. The rise in net debt was primarily driven by banking sector net debt increasing by \$8.2 billion. The net debt of the 'other' sector fell by \$1.5 billion and the official sector's net lending to abroad fell by \$6.0 billion. Also at 30 June 2009, the banking sector held 77.0 percent of the total net international debt, compared with 78.1 percent at June 2008. Net international debt held by the other sector was 26.3 percent of the total at June 2009 compared with 29.6 percent a year earlier.

### **Next release ...**

*Balance of Payments and International Investment Position: September 2009 quarter* will be released on 22 December 2009.

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### **Revisions**

The tables below present a summary of revisions to the March 2009 quarter BoP and IIP major components, as a result of new or improved data.

Revisions have been made as far back as the June 2003 quarter for current account data and as far back as the June 2000 quarter for financial account and IIP data. For further details see the supplementary revisions tables and the technical notes to this release.

### Current and Capital Accounts

Component	Previously published March 2009 quarter	Revised March 2009 quarter	Magnitude of revision
NZ \$(million)			
Current account balance	-1,247	-681	566
Current account credits	15,513	15,542	29
Current account debits	16,760	16,223	-537
Balance on goods	1,323	1,322	-1
Exports (FOB)	10,811	10,809	-2
Imports (FOB)	9,489	9,486	-3
Balance on services	687	723	36
Exports of services	3,775	3,805	30
Imports of services	3,088	3,081	-7
Balance on income	-3,272	-2,781	491
Income from investment abroad	472	474	2
Income from foreign investment	3,743	3,254	-489
Balance on current transfers	15	54	39
Inflow of current transfers	455	455	--
Outflow of current transfers	440	401	-39
Balance on capital account	-162	-141	21
Capital account inflow	237	257	20
Capital account outflow	399	399	--
<b>Symbol:</b> -- amount too small to be expressed			

### Balance of Payments Financial Account

Component	Previously published March 2009 quarter	Revised March 2009 quarter	Magnitude of revision
NZ \$(million)			
<b>New Zealand investment abroad</b>	87	-687	-774
Direct investment	1,162	412	-750
Portfolio investment	-501	-529	-28
Other investment	-1,214	-1,211	3
Reserve assets	640	640	0
<b>Foreign investment in New Zealand</b>	2,115	2,064	-51
Direct investment	875	653	-222
Portfolio investment	-440	-449	-9
Other investment	1,680	1,860	180

### Net Errors and Omissions

Component	Previously published March 2009 quarter	Revised March 2009 quarter	Magnitude of revision
NZ \$(million)			
Net errors and omissions	-619	-1,929	-1,310

### International Investment Position

Component	Previously published March 2009 quarter	Revised March 2009 quarter	Magnitude of revision
NZ \$(million)			
<b>New Zealand investment abroad</b>	124,590	126,050	1,460
Direct investment	23,259	23,900	641
Portfolio investment	38,033	38,595	562
Other investment	17,566	17,823	257
Financial derivatives	25,198	25,198	0
Reserve assets	20,533	20,533	0
<b>Foreign investment in New Zealand</b>	301,217	299,572	-1,645
Direct investment	94,585	92,817	-1,768
Portfolio investment	90,262	90,735	473
Other investment	89,134	88,560	-574
Financial derivatives	27,236	27,459	223

# Technical notes

## Introduction

The conceptual framework used in New Zealand's Balance of Payments (BoP) and International Investment Position (IIP) statistics is based on the fifth edition of the International Monetary Fund's Balance of Payments Manual (BPM5). Descriptions of the underlying concepts, data sources and methods used in compiling the estimates are presented in the Balance of Payments Sources and Methods report. A printed copy can be obtained from Statistics New Zealand: phone (64) 4 931 4600; fax (64) 4 932 2026; email [publications@stats.govt.nz](mailto:publications@stats.govt.nz); or download the PDF online.

## Balance of payments

New Zealand's BoP statement is a record of the value of New Zealand's transactions in goods, services, income, and transfers with the rest of the world, and the changes in New Zealand's financial claims on (assets) and liabilities to the rest of the world. New Zealand's BoP statement comprises the current and capital accounts (which record the value of New Zealand's transactions in goods, services, income, and transfers with non-residents) and the financial account (which records financial transactions involving New Zealand's transactions with non-residents).

## Series available online

To access more data from the BoP and IIP time series, go to Infoshare at [www.stats.govt.nz/infoshare](http://www.stats.govt.nz/infoshare) , click on Browse, then choose:

**Subject category:** Economic indicators, then choose: Balance of Payments

The time series can be downloaded in Excel or comma delimited format.

More information about Infoshare can be found on our website at [www.stats.govt.nz/about-infoshare](http://www.stats.govt.nz/about-infoshare) .

## Current account

The credit side of this account shows the export of goods and services, investment income earned and, under current transfers, the offsetting entries to resources received by residents without payment required.

The debit side shows the import of goods and services, investment income paid and, under current transfers, the offsetting entries to resources supplied to foreign residents without payment required.

To aid analysis, flows of goods, services, income, and current transfers are categorised into major types of transactions. In addition, certain balances are calculated. A 'balance' is the credits less debits for a particular item or group of items. A negative number represents a deficit, while a positive number represents a surplus.

Balances are usually in surplus or deficit; zero balances are unusual. The balances are:

- Balance on goods – goods exports (credits) less goods imports (debits).
- Balance on services – services exports (credits) less services imports (debits).
- Balance on income – income receipts (credits) less income payments (debits).
- Balance on current transfers – current transfer inflows (credits) less current transfer outflows (debits).
- Balance on goods and services – goods and services exports (credits) less goods and services imports (debits).
- Balance on income and current transfers – income and current transfer inflows (credits) less income and current transfer outflows (debits).
- Balance on current account – the sum of the balance on goods and services and the balance on income and current transfers.

### **Conceptual adjustments to exports and imports of goods**

Conceptual adjustments are made to the overseas merchandise trade statistics (sourced from the New Zealand Customs Service) to comply with the BoP convention of recording goods in the current account. In BoP, exports and imports of goods are recorded when ownership of the goods passes from a resident to a non-resident, or vice versa. A change of ownership is said to have occurred when "the two parties (exporter and importer) record the transaction in their books or accounts". For merchandise trade statistics, goods are recorded as exports or imports when they cross a customs frontier.

The following adjustments are made to overseas merchandise trade data to meet BoP recording conventions:

- goods that cross the customs frontier without a change in ownership are removed from imports and exports data – an example of this is large capital items imported or exported on an operational lease
- goods that are sold on consignment are removed from trade data, as no change of ownership has occurred
- freight and insurance charges are removed from the value of imports of goods, and reclassified as services
- adding/subtracting changes in oil stocks abroad.

Exports or imports that do not change ownership are excluded from the overseas merchandise trade statistics to determine the goods component in BoP. This adjustment is reflected under the heading 'BoP conceptual adjustments' in table 4 of this release. An example of such an adjustment is when a large capital item is imported to New Zealand on an operational lease. In such a case, the ownership of the large capital item has not changed, so the value of it needs to be removed from merchandise trade imports data where it was recorded as an import when it crossed the customs frontier.

Goods on consignment are goods that are intended for sale but not actually sold at the time that they cross the border of the exporting country. To meet BoP recording convention, the value of goods exported on consignment is removed from the overseas merchandise trade exports in the quarter they leave the country, then added back into exports in the quarter in which the goods are actually sold (that is, when the change of ownership occurs).

## **Seasonal adjustment and trend analysis**

Quarterly current account statistics are subject to large, short-term movements, both irregular and seasonal, which make the interpretation of trends in the original series difficult.

Seasonally adjusted and trend series help to reveal the underlying behaviour of a series. While seasonally adjusted series have had the seasonal component removed, trend series have had both the seasonal and the irregular components removed. An example of an irregular event is the purchase of a frigate in the December 1999 quarter. Trend estimates reveal the underlying direction of movement in a series and are likely to indicate turning points more accurately than are seasonally adjusted estimates.

The adjusted balance on the current account is the sum of the adjusted goods, services, income and current transfers balances. The smoothed, seasonally adjusted current account balance (the trend) is formed in the same way.

The seasonally adjusted series are produced using the X-12-ARIMA seasonal adjustment package. The trend estimates are based on a five-term Henderson moving average of the seasonally adjusted series, with an adjustment for outlying values.

Towards the end of the series, trend estimates are subject to change, owing to the use of new data points in the estimation process as they become available. The main reason behind this is that the trend is calculated as a 'centred moving average' of the seasonally adjusted series. Seasonally adjusted values are also subject to some revision, as they are also calculated using centred moving average technology. Generally, these revisions are not as great as for the trend.

Revisions can be particularly large if an observation is treated as an outlier in one period, but is found to be part of the underlying movement as further observations are added to the series. All trend estimates are subject to revisions each quarter, but normally only the previous two or three estimates are likely to be substantially altered.

## **Reporting on an accrual basis**

Balance of Payments (BoP) asks survey respondents to provide data on an accrual basis (that is, when the service occurs), as opposed to a payments basis (that is, when the payment is actually received/made). However, when it is not possible to separate payments out on an accrual basis BoP can sometimes receive data relating to multiple periods in one lump sum. Where possible, BoP reallocates the payment to the period in which the service was performed, but irregular movements can still occur in some service categories.

## **Capital account**

The capital account has two components: capital transfers and the acquisition or disposal of non-produced, non-financial assets. Capital transfers involve the transfer of ownership of fixed assets or the transfer of funds linked to them, without any counterpart transaction. Migrants' transfers are an example of a capital transfer.

## **Financial account**

The financial account records financial transactions involving New Zealand claims on (assets) and liabilities to non-residents. The financial account is classified into assets and liabilities, which are broken down by type of investment (direct, portfolio, other investment, and reserve assets) and instrument of investment.

Financial account inflows reflect either increases in New Zealand liabilities or decreases in international financial assets. Correspondingly, outflows reflect either increases in New Zealand's international financial assets, or decreases in its international financial liabilities.

Note that the income generated/paid from holding the asset/liability is recorded in the BoP current account component as international investment income.

## **Net errors and omissions (residual)**

BoP statements are compiled using the double-entry bookkeeping system to ensure that the accounts balance in the accounting sense. For example, exports of goods are recorded as credits while payments in exchange for the goods are recorded as debits, denoting either increases in financial assets or decreases in financial liabilities. When goods are supplied as aid to foreign countries with no payment in return, then the goods are included as exports (credits) and an offsetting entry for the value of the goods is made under current transfers (debits).

In practice, the BoP statement does not always balance. In compiling the BoP statement a variety of data sources are used; therefore, some transactions may not be captured and there is a possibility of reporting or compilation errors. To balance the accounts, a balancing item called the 'net errors and omissions' or 'residual' is used. The residual is always entered on the credit side of the account.

The residual can be calculated by one of two means: (1) the sum of all current, capital and financial account credits (inflows), less the sum of all the debits (outflows); or (2) the current account balance, plus the net flow of the capital and financial accounts. A positive entry means that the sum of the debits is greater than the sum of the credits.

Persistent large residuals in one direction (negative or positive) may be taken as an indication of serious and systemic errors. However, a small figure does not necessarily mean that only small errors and omissions have occurred, since large positive and negative errors may be offsetting. Offsetting errors may either be related or unrelated, resulting from a measurement problem affecting both sides or only one side of a transaction. Timing differences in data reported by the different sources used to estimate the credit and debit sides of a transaction may result in positive and negative errors and omissions offsetting each other in successive periods.

The following areas of known financial account undercoverage may contribute to the residual:

- The primary data sources for the financial account and IIP are sample surveys. While a new estimate is made for the non-sampled IIP stock positions each year,

no estimate is made for financial account transactions, nor for the associated current account investment income flows.

- Transactions related to managed funds that are not surveyed each quarter. Note that neither the financial account transactions nor current account income are estimated for this item.
- Equity shareholding in overseas companies directly held by New Zealand individuals was estimated at \$2.6 billion at 31 December 2008. Neither financial account transactions nor current account income are estimated for this item.

In any quarter, there may be financial account transactions that, for a number of reasons, are not included in the accounts. Reasons for such undercoverage may include: transactions undertaken by entities that are not in the BoP survey frame; transactions not reported by existing survey respondents; and errors in data reporting and compilation.

The data quality is safeguarded by undertaking regular assurance checks including:

- comparing Reserve Bank of New Zealand (RBNZ) and IIP banking sector data
- monitoring investment activity approved by the Overseas Investment Office
- reconciling changes in stock position of inwards and outwards investment against financial account transactions, reporting changes due to exchange rate movements, changes in the valuation of assets and liabilities, and other changes such as reclassification between components
- monitoring media reports of business activities relevant to the BoP and IIP
- annually reviewing the survey populations, with additions made at any time during the year where warranted
- editing and validating data received from survey respondents – this process often involves consulting survey respondents, particularly in respect of large and complex transactions.

## **Data confidentiality**

Where data within a table in this release discloses information about an individual respondent, or would allow close estimation of such information, data has been published only after obtaining the consent of those respondents (that is, published under section 37(4)(a) of the Statistics Act 1975). Where affected respondents have not provided their consent, data remains confidential.

## **Data sources**

The source data and information for BoP and IIP statistics that are collected and processed each quarter include:

- Surveys of New Zealand resident enterprises conducted by Statistics NZ. These surveys operate with the approval of the Minister of Statistics and their completion is therefore a compulsory requirement as set out in the Statistics Act 1975. These surveys are directed at New Zealand-resident enterprises that have been identified as being relevant to BoP and IIP statistics.
- Surveys conducted by other entities. Some of the data used is purchased by Statistics NZ from other organisations that operate an appropriate survey.

Statistics NZ has input into the design of these surveys. One example is the International Visitors Survey operated by a marketing company for the Ministry of Tourism (which supplies quarterly data used in the measure of exports of travel services in the current account). Another example is the Quarterly Managed Funds Survey (QMFS). This is a joint RBNZ and Statistics NZ operation, which supplies data for the current account component of income (credit), and the financial account and IIP components of portfolio investment, financial derivatives and other investment (assets).

- Administrative data, for example non-resident withholding tax data from Inland Revenue and New Zealand Customs Service records of imports and exports, published by Statistics NZ each month as overseas merchandise trade statistics.
- Financial market information, including interest and exchange rates and share prices. Much of this information is taken from publicly available information sites.

## Revisions to back series data

The BoP revisions policy is explained in the publication Balance of Payments Sources and Methods, chapter 4, Data Dissemination and Related Issues, available on the website at: [www.stats.govt.nz](http://www.stats.govt.nz). The main features of this policy are repeated here.

The release of statistics for each September, December, and March quarter includes revisions to the previous quarter. These quarterly revisions typically arise from the inclusion of data received that is late for the first release, restatement of data already received and incorporated in published statistics, and corrections to any errors in data processing. The release of each June quarter statistics includes revisions to previous quarters as far back as necessary. The June quarter revisions are termed 'annual revisions'. These revisions typically arise from validation of data previously received against company accounts, conceptual and methodological changes, and reviews of data against more recent information and census benchmarks.

The revisions to the statistics introduced in this June 2009 quarter release extend back to the June 2000 quarter. The main reasons for the revisions are:

1. Reconciling data reported to the Quarterly International Investment Survey (QIIS) against published company reports. Company reports are obtained either from the companies concerned, or from the companies' office. The reconciliation usually possible between a company report and data reported to QIIS is at the level of degree of overseas ownership, profits/loss, value of the company (whether on a listed price, net asset, or some other basis), and levels of financial assets and liabilities. The process of reconciliation identifies those surveyed companies with significant differences or inconsistencies between survey data and company report information. Issues are queried with data suppliers, and resultant changes to survey data made. Revisions to statistics arising from this process embrace IIP positions, financial account flows, and current account income.

2. Improved information in respect of the classification of some assets and liabilities. This affects classification between instrument types (eg between loans and debt securities, and between equity and debt instruments) and between financial account components, for example, between direct investment other capital, and portfolio or other investment. The improved information typically arises from explicit enquiry, as a result of

the reconciliation process outlined in point 1 above, or from changed reporting. These revisions do not change the total financial account flows or IIP stock positions, but do change component subtotals.

3. Improved reporting. The main features are corrections to previously reported data, or reporting of data not previously reported. These revisions change total financial account flows, IIP stock positions, and current account investment income.

4. Incorporation of results from the Annual International Investment Survey (AIIS), which i) updates the estimate for those enterprises not included in the quarterly sample survey (the non-sampled estimate (NSE)), and ii) updates the sample of enterprises each quarter in the QIIS. The NSE applies to IIP position data only, and is further explained in the section 'Undercoverage estimate for IIP'. In brief, the 2009 AIIS results have been used to revise the NSE for the quarter-end IIP positions from June 2008.

## **Balance of Payments quality plan**

Work is continuing on issues identified in the 2004 Balance of Payments (BoP) Quality Plan document. The plan was developed in response to potential weaknesses in BoP data sources, methods and processes.

The current BoP data quality projects underway include:

- coverage and collection of BoP data as a result of offshoring activities of New Zealand companies
- update to the methodology for the individual holdings of assets abroad.

## **Offshoring activity**

Statistics NZ has started a project to investigate the coverage and collection of BoP data on the offshoring activities of New Zealand companies. This project has three stages. The initial stage is almost complete. It involves producing an information paper on the knowledge gained on the offshoring activity to date. The second stage involves investigating data coverage and collection issues and making recommendations for improvements. The final stage will involve implementing the recommendations identified in stage two.

## **Individual holdings of assets abroad**

The tasks completed to date include:

- discussing the project outcomes with other government and non-government organisations that have an interest in it
- identifying the various paths chosen by individuals in New Zealand to invest abroad and the mechanisms currently in place to collect data on these investments
- identifying a number of options for collecting data where no current collection mechanisms exists.

This project is progressing more slowly than expected as staff have been concentrating on the production of quarterly statistics. Issues identified in this project link with work that Statistics NZ and the RBNZ are doing to improve the coverage and quality of data about securities issued by non-residents and held by residents. A related topic is debt securities issued in New Zealand by overseas residents (Kauri bonds), and is discussed later in these technical notes.

## **International Investment Position**

The International Investment Position (IIP) measures the stock (or level) of New Zealand's financial assets and liabilities with the rest of the world at a particular point in time. It comprises New Zealand's net international debt (lending to non-residents less borrowing from non-residents) and net international equity investment (investment in shares abroad less foreign investment in New Zealand company shares). A net international debtor position means that international liabilities exceed international assets.

The BoP and IIP statistics are closely related, with the former measuring transaction flows and the latter measuring stock positions. The difference in the level of international financial assets and liabilities between two points in time is due to: (1) the BoP financial account transactions; and (2) the other (non-transactional) changes that occur during the period. Examples of the latter are revaluations, changes in market prices, changes in exchange rates, and other changes such as write-offs.

### **Exchange rate and share index movements: June 2009 quarter**

A comparison of the exchange rates at 30 June 2009 and 31 March 2009 showed that the New Zealand dollar depreciated against the Australian dollar and the British pound, and appreciated against the United States dollar, the Euro, and the Japanese yen. A depreciation of the New Zealand dollar increases the New Zealand dollar value of foreign currency assets and liabilities within the IIP, whereas an appreciation of the New Zealand dollar has the opposite effect. All major sharemarket indexes increased over the period from 31 March 2009 to 30 June 2009. The value of foreign investors' New Zealand shares, as well as New Zealand investors' overseas shareholdings, increased with these increasing share indexes.

## **Presentation of International Investment Position statistics**

There are two ways of presenting IIP statistics: the BoP presentation and the balance sheet presentation. While total assets and liabilities differ in each presentation, the net IIP result is identical, regardless of the presentation method used.

### **Balance of Payments presentation**

The BoP presentation of New Zealand's IIP classifies investment by the relationship between the investor and the investment enterprise. This approach presents New Zealand's investment abroad (assets) by direct investment, portfolio investment, other investment, financial derivatives, and reserve assets. Foreign investment in New

Zealand (liabilities) is classified in the same way, except for reserve assets, which are not applicable. The BoP approach is the one recommended by the International Monetary Fund.

### **Balance sheet presentation**

This approach uses a balance sheet format to present New Zealand's international assets and liabilities. The use of the balance sheet format enables presentation of assets and liabilities disaggregated into:

- gross and net equity positions, overseas debt (borrowing), lending abroad, and net overseas debt (table 10)
- borrowing and lending disaggregated by broad sector (table 10), by instrument type (table 11), by currency in which the obligations are repayable (table 12), and by residual maturity (table 13).

### **The relationship between the two presentations**

Although there are differences in the classification of some transactions between the balance sheet and the BoP presentation, it is still possible to reconcile some items. The equity positions in the BoP presentation for New Zealand investment abroad sum to the equity figure under international assets in the balance sheet presentation. Similarly, the equity positions in the BoP presentation for foreign investment in New Zealand sum to the equity figure under international liabilities in the balance sheet presentation. Reserve assets are treated the same way in both presentations.

Lending and borrowing in the balance sheet and BoP presentations are treated differently and will not reconcile. All lending in the balance sheet presentation is treated as an asset and all borrowing treated as a liability. In the BoP presentation for New Zealand investment abroad, net lending by New Zealand enterprises is reported, and for foreign investment in New Zealand, net borrowing by New Zealand subsidiaries is reported.

In the BoP presentation, net lending refers to the total lending by New Zealand parent enterprises to their overseas subsidiaries, less any borrowing by New Zealand parent enterprises from their overseas subsidiaries. Net borrowing refers to the total borrowing by New Zealand subsidiaries from their overseas parent enterprise, less any lending by New Zealand subsidiaries to their overseas parent.

As the BoP presentation treats some borrowing as negative lending and some lending as negative borrowing, the values of lending and borrowing reported in the BoP presentation will not reconcile with those in the balance sheet presentation. For example, prepaid inter-company accounts with overseas parent enterprises are viewed as lending using the balance sheet presentation, but as negative borrowing using the BoP presentation.

### **International debt and external debt statistics**

As described above, net international debt comprises lending to non-residents less borrowing from non-residents. Debt is an actual current contractual obligation that

requires payment of principal and/or interest by the debtor at some point(s) in the future. Conversely, equity ownership represents a claim over the residual value of an enterprise.

Table 10 of the BoP and IIP release presents New Zealand's international balance sheet position, a contributing part of which is New Zealand's international debt. In table 10, gross international debt is termed 'borrowing'. Statistics NZ's measurement of international borrowing differs from the IMF's measure of external debt as set out in the External Debt Guide (2003). The difference lies in the treatment of financial derivative liability positions. The External Debt Guide excludes these positions; whereas in table 10, measures of international lending, borrowing and net international debt include these positions.

The IMF's External Debt Guide excludes financial derivative asset and liability positions because no principal is required to be repaid and interest is not accrued. An overdue obligation to settle a financial derivative contract is treated in both the IMF's guide and the table 10 series, like any arrears, as a debt liability because payment is required.

New Zealand's external debt, lending, and net external debt can be derived from the data presented in table 11. This table presents New Zealand's international financial assets and liabilities disaggregated by instrument type, where financial assets and liabilities equate to international lending and borrowing, respectively, in table 10. Deriving external debt and external lending is done using table 11 data by deducting from each of total international assets (IIPQ.S5AA3) and liabilities (IIPQ.S5AL3) the value of financial derivative asset (IIPQ.S5AA6F) and liability (IIPQ.S5AL6F) positions, respectively; and using the adjusted totals of international financial assets (external lending) and liabilities (external debt) to calculate net external debt.

The table below derives the net external debt position from table 11 data and compares it with the net international debt position of table 10.

<b>Calculating New Zealand's net external debt</b>			
<b>Period</b>	<b>30 June 2008</b>	<b>31 March 2009</b>	<b>30 June 2009</b>
	NZ\$(million)		
Total international financial lending IIPQ.S5AA3	80,229	94,943	84,347
less financial derivatives IIPQ.S5AA6F	9,519	26,542	19,471
External lending	70,710	68,401	64,876
Total international liabilities IIPQ.S5AL3	227,149	255,994	244,012
less financial derivatives IIPQ.S5AL6F	9,395	28,865	24,244
External debt	217,754	227,129	219,768
Net external debt	-147,044	-158,728	-154,892
Net international debt IIPQ.S5AA2B	-146,920	-161,051	-159,665
Difference; net external debt less net international debt	-124	2,323	4,773

## **Debt securities issued in New Zealand by overseas resident issuers (Kauri bonds)**

Kauri bonds are debt securities issued in New Zealand, in New Zealand dollars, by non-resident issuers. According to BoP compilation principles, if a New Zealand resident investor holds such bonds, then the resident holder has a claim over the non-resident issuer. These holdings contribute to New Zealand investment abroad (international assets). When Kauri bonds are held by non-residents, then they are neither assets nor liabilities of New Zealand, they are a claim by the non-resident holder over the non-resident issuer. The Australian Bureau of Statistics (ABS) has adopted the same practice in respect of the Australian equivalent of Kauri bonds; Kangaroo bonds are debt securities issued in Australia by non-residents.

When reporting to surveys that collect data for the international accounts, some respondents have treated their investments in Kauri bonds as investment in New Zealand, leading to under-measurement of international assets and associated income in the statistics. This misreporting arises because these bonds are issued in New Zealand and denominated in New Zealand dollars and are therefore often interpreted by respondents as not relevant to the international accounts surveys.

After consultation, a number of respondents to international investment surveys now report their holdings of Kauri bonds as investment abroad in their surveys, along with the associated income. This data is incorporated into the statistics effective from the December 2007 quarter. In addition, an estimate of Kauri bonds acquired by the New Zealand household sector in the December 2007 quarter has been included in the BoP financial account transactions and the IIP as investment abroad. The estimate of resident households investment in Kauri bonds is held constant from quarter to quarter, and the sectoral classification is to 'other sectors' (table 10). Income earned from the investment is estimated using published rates of return, and is included in: income from New Zealand investment abroad, portfolio investment income, income on debt, bonds and notes (table 6). The estimates are subject to change in the expectation that further work leads to improved data.

Holdings of Kauri bonds by New Zealand residents included in the statistics as investment abroad are estimated to understate residents' total holdings by approximately \$2.6 billion as at 30 June 2009 (2.2 percent of total New Zealand investment abroad, table 2). This conclusion is drawn from comparing estimates of Kauri bond assets included in the international investment position statistics with information about Kauri bonds obtained primarily from RBNZ published data, and from other published sources. Further work aimed at improving data about the issuance and holding of Kauri bonds is underway. This includes work being done in conjunction with the RBNZ.

## **RBNZ securities subject to repurchase agreements**

Non-resident issued debt securities, denominated in foreign currencies and held by the RBNZ, contribute to New Zealand's official sector reserve assets. When such a security is subject to a repurchase (repo) agreement, it remains in the IIP as an asset, but not as a reserve asset. The appropriate IIP classification is: New Zealand investment abroad; portfolio investment; debt securities (as opposed to investment abroad; reserve assets). The cash received for the 'repoed' security is recorded as a liability in the IIP as: foreign

investment in New Zealand: other investment; loans. This is the collateralised loan approach to recording repoed securities. However, in the IIP, the repoed security is misclassified to New Zealand investment abroad; other investment; other instruments (instead of to portfolio investment); debt securities. Statistics NZ plans to improve the classification of the repoed securities within the financial account at a future point in time.

## **Undercoverage estimate for the International Investment Position**

The data sources for BoP financial account and IIP statistics comprise a set of surveys. The main survey is the Quarterly International Investment Survey (QIIS). Other sources include the Treasury and RBNZ (surveyed directly each quarter), a quarterly survey of New Zealand resident nominees, and the Quarterly Managed Funds Survey (QMFS), which is a joint RBNZ/Statistics NZ collection. For further information about the BoP financial account and IIP data sources refer to chapter 11 of the Balance of Payments Sources and Methods, available at: [www.stats.govt.nz](http://www.stats.govt.nz).

The QIIS, Quarterly Nominees, and QMFS are all sample surveys. Estimates for non-surveyed enterprises (undercoverage estimates) are determined each year for the QIIS and incorporated into the published accounts. No estimate is made for survey undercoverage in respect of the Quarterly Nominees Survey (which supplies data on foreign portfolio equity investment in New Zealand via resident nominees). Information available from the equities market indicates that the level of survey undercoverage is negligible. The QMFS is a sample of principal New Zealand fund managers. No estimate for QMFS undercoverage is currently included in the published tables. However, smaller fund managers are surveyed annually, and estimates of their funds under management are presented in the footnotes to the tables covering international assets and liabilities.

The QIIS is a quarterly sample of approximately 500 enterprises. The sample is intended to capture approximately 95 percent of the stock levels of the main IIP components. The amount by which the quarterly sample survey is estimated to undercover the population is derived from the Annual International Investment Survey (AIIS). The AIIS survey collects data as at 31 March each year from a population of enterprises identified as being relevant to the BoP financial account and the IIP, but not surveyed in the QIIS. The AIIS is intended to be a census every three years and a sample survey in the interim years. The results of the AIIS are used to:

- (i) Provide IIP (table 2) and international asset and liability (tables 10 to 13) positions to supplement the regular quarterly sample survey (QIIS). This estimate is known as the non-sampled estimate (NSE) and is added to the results of each quarter's QIIS results and included in the published accounts. The QIIS and NSE estimates of investment positions comprise New Zealand's measured international investment positions.
- (ii) Update the sample used in the regular quarterly sample survey (QIIS). To reduce the compliance load faced by the smaller businesses that typically comprise the AIIS population. The AIIS questionnaire is an abbreviated form of the QIIS questionnaire.

Note that in respect of NSE investment positions, the associated current account investment income flows and financial account transactions are neither collected nor estimated.

<b>Non-sampled estimate</b>		
<b>Period</b>	<b>New Zealand investment abroad</b>	<b>Foreign investment in New Zealand</b>
<b>NZ\$(billions)</b>		
March 2008	1.9	9.0
June 2008–December 2008	2.4	11.6
March 2009	2.7	13.2
June 2009	2.7	11.5

### **Currency and maturity breakdowns of the non-sampled estimate**

To improve the usefulness of the assets and liabilities data, Statistics NZ has allocated the NSE across the different currency and residual maturity profiles. The allocation is reset each year in the release of June quarter statistics. The allocation uses QIIS data collected from non-bank enterprises applied to the results of the annual survey. The assumption is that the behaviour of the NSE data is similar to that of the non-bank enterprises surveyed in the QIIS. The resulting apportionment of NSE estimates is then added to the QIIS residual maturity and currency totals.

### **Annual Managed Funds Survey**

The Annual Managed Funds Survey (AMFS) is conducted jointly by the RBNZ and Statistics NZ and has collected data as at 31 December since 2001. The AMFS measures the stock of investment held (both in New Zealand and abroad) by fund managers who are not in the QMFS.

The results from the sample surveys showed assets held abroad of:

<b>Results from the AMFS</b>	
<b>Period</b>	<b>Assets held abroad NZ\$(million)</b>
December 2008	4,126
December 2007	4,497 (R)
December 2006	5,159 (R)
December 2005	4,190 (R)
December 2004	3,472 (R)
December 2003	3,185 (R)
December 2002	4,235 (R)
December 2001	3,404 (R)
<b>Symbol:</b> R revised	

The AMFS does not capture any financial account transaction flow or current account investment income data. This data is not included in the IIP series of New Zealand investment abroad. The data from the AMFS for portfolio investment abroad is shown in the IIP tables of this release as an addendum item. The data is as at 31 December only.

In addition to providing an estimate of investments held abroad by smaller New Zealand fund managers and organisations, the survey data is used to adjust the sample population for the Quarterly Managed Funds Survey. After each AMFS cycle, a review of the Quarterly Managed Funds Survey sample population is undertaken and where appropriate, larger AMFS respondents are added to the quarterly sample.

The AMFS data series from 2001–2007 presented in the above table are revisions to those previously published. The revision has come about as a result of work undertaken by Statistics NZ and the Reserve Bank on the coverage of transactors and transactions between the AMFS and the Quarterly Managed Funds Survey. In addition, the coverage of AMFS data also extended to checking against data reported by some companies in Statistics NZ's Quarterly International Investment Survey.

An overall review of the survey's results and an investigation into the feasibility of adjusting the data (to take account of market price and exchange rate movements) are planned, before the data series is formally migrated into the New Zealand IIP statistics. For further information on the AMFS, contact Salendra Kumar on 04 931 4600 or email: [bop.surveys@stats.govt.nz](mailto:bop.surveys@stats.govt.nz).

### **Equity shareholding in overseas companies directly held by New Zealand individuals**

Many New Zealand individuals invest directly abroad and hold these overseas assets in their own custody or in the custody of an overseas entity. Only data relating to overseas financial assets of New Zealand enterprises, and those held by New Zealand individuals and organisations where the investments are undertaken by New Zealand fund managers, are reported in the BoP and IIP statistics. To cover the gap (that is, between assets invested and held directly), Statistics NZ has made estimates of the level of individuals' directly-held overseas equities. The estimates are presented as an addendum item in the IIP (table 2). This is because the estimation methodology relies on several key assumptions that cannot, at this stage, be fully tested by reference to available data. Changes to these assumptions can significantly alter the size of the estimate.

<b>Equity shareholding in overseas companies directly held by New Zealand individuals</b>			
<b>Period</b>	<b>Latest estimate</b>	<b>Previously published</b>	<b>Amount held in Australia</b>
NZ\$(billion)			
December 2008	2.6	..	2.2
December 2007	10.1	10.6	8.4
December 2006	7.0	7.8	5.6
December 2005	5.9	6.4	4.6
December 2004	5.4	5.2	4.3
<b>Symbol:</b>			
.. data unavailable			

### **International trade in carbon emissions units**

The classification and treatment of emission units is still under discussion in international accounting and statistical forums. In compiling BoP and IIP statistics, Statistics NZ regards emission units as intangible non-produced assets. Therefore, international trade in these units is recorded in the capital account of the BoP. For example, the sale of emission units by a resident to a non-resident is recorded as a capital account receipt.

### **More information**

For more information, follow the links from the Technical notes of this release on the Statistics NZ website.

[Quarterly Balance of Payments](#)  
[International Trade in Services Survey](#)  
[International Transportation](#)  
[International Visitors Survey](#)  
[International Insurance](#)  
[New Zealand Travellers Expenditure Model](#)  
[Quarterly International Investment](#)  
[Government Services](#)  
[Government Transfers](#)  
[Migrants Transfers](#)  
[Transfers](#)  
[Quarterly Nominees](#)  
[Managed Funds](#)

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## **Timing**

Timed statistical releases are delivered using postal and electronic services provided by third parties. Delivery of these releases may be delayed by circumstances outside the control of Statistics NZ. Statistics NZ accepts no responsibility for any such delays.

## Tables

The following tables are printed with this Hot Off The Press and can also be downloaded from the Statistics New Zealand website in Excel format. If you do not have access to Excel, you may use the [Excel file viewer](#) to view, print and export the contents of the file.

1. Balance of payments major components, quarter ended
2. International investment position, at end of quarter
3. Balance of payments seasonally adjusted and trend series, quarter ended
4. Current account goods, quarter ended
5. Current account services, quarter ended
6. Current account income, quarter ended
7. Balance of payments major balances, actual
8. Balance of payments major balances, year ended in quarter
9. Balance of payments financial account, quarter ended
10. International assets and liabilities, at end of quarter
11. International financial assets and liabilities by instrument, at end of quarter
12. International financial assets and liabilities by currency, at end of quarter
13. International financial assets and liabilities by residual maturity, at end of quarter
14. Balance of payments ratios, year ended in quarter

## Supplementary revisions tables

The following tables show revisions to figures published in the Balance of Payments and International Investment Position: March 2009 quarter release. These tables can be downloaded from the Statistics New Zealand website in Excel format. If you do not have access to Excel, you may use the [Excel file viewer](#) to view, print and export the contents of the file.

1. Revisions to the current and capital account for the June 2009 quarter
2. Revisions to the financial account and international investment position for the June 2009 quarter